

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

DEED OF TRUST

DATE: _____

GRANTOR: MICHAEL CHAD CANNON

GRANTOR'S MAILING ADDRESS: 111 Luther
(including county) Brazos County
College Station, Texas 7784__

TRUSTEE: THOMAS E. BRYMER, CITY MANAGER

TRUSTEE'S MAILING ADDRESS: P.O. Box 9960
(including county) Brazos County
College Station, Texas 77842

BENEFICIARY: CITY OF COLLEGE STATION

BENEFICIARY'S MAILING ADDRESS: P.O. Box 9960
(including county) Brazos County
College Station, Texas 77842

NOTE(S):

DATE: May ____, 2004

AMOUNT: FIFTEEN THOUSAND AND NO/100 DOLLARS (\$15,000.00)

BORROWER: MICHAEL CHAD CANNON

LENDER: CITY OF COLLEGE STATION

FINAL MATURITY DATE: As provided in the note.

PROPERTY (including any improvements):

All that certain lot, tract or parcel of land lying and being situated in Brazos County, Texas, and being Lot Four (4), Block "A", West Park 2nd Addition, City of College Station, Brazos County, Texas, according to plat thereof recorded in Volume 128, Page 574, of the Official Records of Brazos County, Texas.

SENIOR LIEN(S):

A first and superior Deed of Trust dated May ____, 2004, filed for record in the Official Records of the Office of the County Clerk of Brazos County on May ____, 2004, under Clerk's File Number _____ from MICHAEL CHAD CANNON to _____, Trustee, for the benefit of _____, securing a Promissory Note of even date therewith, in the principal amount of \$_____, from MICHAEL CHAD CANNON, and payable to the order of _____, as provided therein.

EXCEPTIONS TO CONVEYANCE AND WARRANTY:

All valid and subsisting easements, restrictions, rights-of-way, conditions, exceptions, reservations, and covenants of record of whatever nature, if any, and also the zoning laws and other restrictions, regulations, ordinances and statutes of municipal or other government authorities applicable to and enforceable against the described premises.

FOR VALUE RECEIVED AND TO SECURE PAYMENT OF THE NOTE, Grantor conveys the property to Trustee in trust. Grantor warrants and agrees to defend the title to the property. If Grantor performs all the covenants and pays the Note according to its terms, this Deed of Trust shall have no further effect, and Beneficiary shall release it at Grantor's expense.

GRANTOR'S OBLIGATIONS:

Grantor agrees to :

1. keep the Property in good repair and condition;
2. pay all taxes and assessments on the Property when due;
3. preserve the lien's priority as it is established in this Deed of Trust;
4. maintain, in a form acceptable to Beneficiary, an insurance policy that:
 - (a) covers all improvements for their full insurable value as determined when the policy is issued and renewed, unless Beneficiary approves a smaller amount in writing;
 - (b) contains an 80% coinsurance clause;
 - (c) provides fire and extended coverage, including windstorm coverage;
 - (d) protects Beneficiary with a standard mortgage clause;
 - (e) provides flood insurance at any time the Property is in a flood hazard area; and
 - (f) contains such other coverage as Beneficiary may reasonably require;
5. comply at all times with the requirements of the 80% coinsurance clause;
6. deliver the insurance policy to Beneficiary and deliver renewals to Beneficiary at least ten (10) business days before expiration;
7. keep any buildings occupied as required by the insurance policy;
8. if this is not a first lien, pay all prior lien notes that Grantor is personally liable to pay and abide by all prior lien instruments; and
9. comply with all provisions of the Note of even date from Grantor to Beneficiary.
10. Grantor agrees to furnish on Beneficiary's request evidence satisfactory to Beneficiary that all taxes and assessments on the property have been paid when due.

BENEFICIARY'S RIGHTS:

1. Beneficiary may appoint in writing a substitute or successor trustee, succeeding to all rights and responsibilities of Trustee.
2. If the proceeds of the Note are used to pay any debt secured by prior liens, Beneficiary is subrogated to all of the rights and liens of the holders of any debt so paid.

3. Beneficiary may apply any proceeds received under the insurance policy either to reduce the amount owed under the Note or to repair or replace damaged or destroyed improvements covered by the policy.
4. If Grantor fails to perform any of Grantor's obligations, Beneficiary may perform those obligations and be reimbursed by Grantor on demand at the place where the note is payable for any sums so paid, including attorney's fees, plus interest on those sums from the dates of payment at the rate stated in the note for matured, unpaid amounts. The sum to be reimbursed shall be secured by this Deed of Trust.
5. If Grantor defaults on the Note or fails to perform any of Grantor's obligations or if default occurs on a prior lien note or other instrument, Beneficiary may:
 - (a) declare the unpaid principal balance and earned interest on the Note immediately due;
 - (b) request Trustee to foreclose this lien, in which case Beneficiary or Beneficiary's agent shall give notice of the foreclosure sale as provided by the Texas Property Code as then amended; and
 - (c) purchase the Property at any foreclosure sale by offering the highest bid and then have the bid credited on the Note.

TRUSTEE'S DUTIES:

If requested by Beneficiary to foreclose this lien, Trustee shall:

1. either personally or by agent give notice of the foreclosure sale as required by the Texas Property Code as then amended;
2. sell and convey all or part of the Property to the highest bidder for cash with a general warranty binding Grantor, subject to prior liens and to other exceptions to conveyance and warranty; and
3. from the proceeds of the sale, pay, in this order:
 - (a) expenses of foreclosure, including a commission to Trustee of 5% of the bid;
 - (b) to Beneficiary, the full amount of principal, interest, attorney's fees, other costs of collection or foreclosure, and other charges due and unpaid;
 - (c) any amounts required by law to be paid before payment to Grantor; and
 - (d) to Grantor, any balance.

GENERAL PROVISIONS:

1. If any of the Property is sold under this Deed of Trust, Grantor shall immediately surrender possession to the purchaser. If Grantor fails to do so, Grantor shall become a tenant at sufferance of the purchaser, subject to an action for forcible detainer.
2. Recitals in any Trustee's deed conveying the Property will be presumed to be true.
3. Proceeding under this Deed of Trust, filing suit for foreclosure, or pursuing any other remedy will not constitute an election of remedies.
4. This lien shall remain superior to liens later created even if the time of payment of all or part of the Note is extended or part of the Property is released.
5. If any portion of the Note cannot be lawfully secured by this Deed of Trust, payments shall be applied first to discharge that portion.
6. Grantor assigns to Beneficiary all sums payable to or received by Grantor from condemnation of all or part of the property, from private sale in lieu of condemnation, and from damages caused by public works or construction on or near the Property. After deducting any expenses incurred, including attorney's fees, Beneficiary may release any remaining sums to Grantor or apply such sums to reduce the Note. Beneficiary shall not be liable for failure to collect or to exercise diligence in collecting any such sums.

7. **GOVERNING LAW:** This Deed of Trust and the Note of even date implement requirements applicable to the City of College Station Community Development Office's Down Payment Assistance Program (the "Program") using HOME funds pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 United States Code §§ 12701 et seq.) and 24 Code of Federal Regulations Part 92. This Deed of Trust and the Note of even date shall be construed in accordance the requirements of the Program and the above-referenced federal law. To the extent not inconsistent therewith these documents shall be governed by the law of the State of Texas and the local jurisdiction in which the Property is located.
8. **TRANSFER OF THE PROPERTY:** If all or any part of the Property or any interest in it (including a beneficial interest) is sold or transferred without notice to the Beneficiary and compliance with the terms of the Note and this Deed of Trust, the Beneficiary will require immediate payment in full of all sums secured by this Deed of Trust. In the event of such a sale, or in the event of any other Default under the Note or this Deed of Trust, the Beneficiary may give the Grantor Notice of Default and acceleration as provided for in the Note.
9. **FIRST RIGHT TO PURCHASE:** In the event of a proposed sale or transfer of all or any part of the Property or any interest in it (including a beneficial interest) by the Grantor, the Beneficiary shall have the first right to purchase the Property from the Grantor for the amount and on the terms specified in a written, firm contract between the Grantor and the prospective purchaser. Grantor will give notice of the proposed sale and a copy of the contract to the Beneficiary as required by Paragraph 3.B. of the Note.

The Beneficiary shall have ten (10) calendar days after the date it receives the copy of the contract to decide whether to exercise its right to purchase thereunder by sending notice to the Grantor as provided in the Note. If the Beneficiary gives Grantor such timely notice of its decision to exercise its right to purchase the Property, it shall have sixty (60) additional calendar days after the date of its notice to Grantor to complete closing of the purchase. If the Beneficiary notifies Grantor that it does not intend to purchase the Property after receiving a copy of the contract, or if Beneficiary does not timely notify Grantor of its decision to exercise its right to purchase, or if Beneficiary does not timely close on its purchase of the Property, Grantor shall have the right to sell the Property free of Beneficiary's right to purchase under this Paragraph on the terms stated in the contract Grantor presented to the Beneficiary or on such other terms as are permitted thereby.

This Paragraph shall terminate and have no further force and effect upon the occurrence of any of the following events:

- (a) Title to the Grantor's interest in the Property is acquired by the Holder of the Senior Lien, _____, or its successor in interest upon foreclosure of the Senior Lien.
 - (b) Title to the Grantor's interest in the Property is acquired by the holder of the Senior Lien, _____, or its successor in interest by deed in lieu of foreclosure.
10. **PROHIBITION OF ASSUMPTIONS:** Except where otherwise required or permitted by the Beneficiary in connection with a transfer on death, divorce, legal separation, or legal incapacity of a Grantor as provided in Paragraph 3 of the Note, the Note and this Deed of Trust may not be assumed.
 11. **SUBORDINATION:** Beneficiary and Grantor acknowledge and agree that this subordinate Deed of Trust is subject and subordinate in all respects to the Senior Lien, terms, covenants and conditions of the superior Deed of Trust and to all

advances heretofore made pursuant to the superior Deed of Trust, including all sums advanced for the purpose of:

- (a) protecting or further securing the lien of the superior Deed of Trust; or
- (b) constructing, renovating, repairing, furnishing fixtures or equipping the Property. The terms and provisions of the superior Deed of Trust are paramount and controlling, and they supersede any other terms and provisions of this subordinate Deed of Trust in conflict therewith. In the event of a foreclosure or deed in lieu of foreclosure of the superior Deed of Trust, any provisions herein or any provisions in any collateral agreement restricting the use of the property to low or moderate-income households or otherwise restricting the Grantor's ability to sell the Property shall have no further force or effect on subsequent owners or purchasers of the Property. Any person, including his successors or assigns (other than the Grantor or a person or entity related to the Grantor), receiving title to the Property through foreclosure or deed in lieu of foreclosure of the superior Deed of Trust shall receive title to the Property free and clear from such restrictions.

Further, if the Senior Lien Holder acquires title to the Property pursuant to a deed in lieu of foreclosure, the junior lien of this subordinate Deed of Trust shall automatically terminate upon the Senior Lien Holder's acquisition of title, provided that

- (i) the Beneficiary has been given written notice of a default under the superior Deed of Trust; and
 - (ii) the Beneficiary (or another party acting on its behalf) shall not have cured the default under the superior Deed of Trust, or diligently pursued curing the default as determined by the Senior Lien Holder, within the sixty day period provided in such notice sent to the Beneficiary.
- 12. When the context requires, singular nouns and pronouns include the plural.
 - 13. The term "Note" includes all sums secured by this Deed of Trust.
 - 14. This Deed of Trust shall bind, inure to the benefit of, and be exercised by successors in interest of all parties.
 - 15. If Grantor and Borrower are not the same person, the term "Grantor" shall include Borrower.
 - 16. Grantor represents that this Deed of Trust and the Note are given for the following purposes:
The Note represents FIFTEEN THOUSAND NO/100 DOLLARS (\$15,000.00), in cash that Beneficiary advanced to Grantor under a Down Payment Assistance Program for the purpose of acquiring the Property for use as the Grantor's principal residence in accordance with the Note and this Deed of Trust.

If Grantor fails to pay any part of principal or interest on the Property when it becomes payable or is in default, the debt secured by this Deed of Trust shall become payable at the option of Beneficiary.

EXECUTED this 13th day of May, 2004.



MICHAEL CHAD CANNON

THE STATE OF TEXAS

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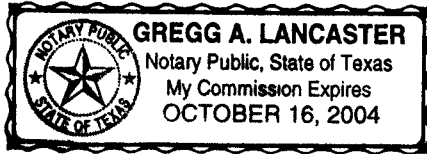
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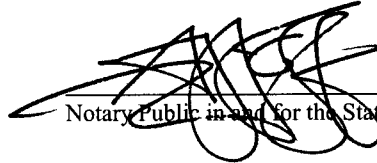
COUNTY OF BRAZOS

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This instrument was acknowledged before me on the 13th day of May,
2004, by MICHAEL CHAD CANNON.




Notary Public in and for the State of Texas

PREPARED IN THE OFFICE OF:

City of College Station
Legal Department
P.O. Box 9960
College Station, Texas 77842-9960

RETURN ORIGINAL DOCUMENT TO:

City of College Station
Legal Department
P.O. Box 9960
College Station, Texas 77842-9960